

Canada Steamship Lines, Limited Annual Report 1970





To the Shareholders:

Net earnings for the first six months of 1970 were \$2,444,000, down \$396,000 from the comparable 1969 period.

After preferred dividend, earnings were 72¢ per common share (85¢ in 1969). Net gain on capital asset transactions which is not included in earnings amounted to \$258,000 (9¢ per common share) compared to \$1,328,000 (44¢ per share) in 1969.

Gross revenue is down \$7,238,000 (12%) to \$54,817,000 entirely on a reduction in shipyard deliveries. There were increases in water and land transportation revenues.

The reduction in earnings to date should not necessarily be considered as indicative of the final result for the year. The forecast decline in shipbuilding earnings has been absorbed in the first half of the year and orders have been received for two ferries at Davie Shipbuilding and an oil fuelling barge at Collingwood. Water transportation volume should continue to show improvement reflecting an increase in grain shipments and a continued demand in ore and coal carriage.

Earnings of the Kingsway Transports group have decreased because of rate reductions and lower tonnages caused by the general slowdown in economic activity. Provincial Transport results reflect an increase in express business caused in part by the postal system difficulties.

Working capital is up \$1,682,000 from 1969 year-end and with lower capital expenditures planned, there should be a further increase during the next six months.

T. R. McLagan
Chairman

J. W. McGiffin
President

Aux actionnaires:

Les bénéfices nets pour les six premiers mois de 1970 ont été de \$2,444,000, soit de \$396,000 inférieurs à ceux de la même période en 1969.

Après les dividendes sur actions privilégiées, les bénéfices ont été de 72¢ par action ordinaire (85¢ en 1969). Le gain net sur transactions d'immobilisations, non compris dans les bénéfices, se chiffre à \$258,000 (9¢ par action ordinaire) contre \$1,328,000 (44¢ par action) en 1969.

Les revenus bruts sont de \$54,817,000 soit une baisse de \$7,238,000 (12%) entièrement due à la diminution de production de nos chantiers navals. Les revenus de transport routier et maritime ont augmenté.

La diminution des bénéfices à ce jour ne doit pas nécessairement être prise comme une indication du résultat final de l'exercice. La diminution prévue des bénéfices des chantiers navals a été absorbée dans la première moitié de l'exercice et des commandes ont été reçues pour deux traversiers par Davie Shipbuilding et pour un chaland d'approvisionnement en combustible à Collingwood. Le volume de transport maritime devrait continuer à croître du fait de l'augmentation du transport de céréales et de la demande continue pour le transport de minerai et de charbon.

Les bénéfices du groupe Kingsway Transports ont diminué du fait de la réduction des taux et du tonnage transporté causée par le ralentissement général de l'activité économique. Les résultats connus par Transport Provincial reflètent l'augmentation du service de messageries par autobus causée en partie par les difficultés de la poste.

Le fonds de roulement est de \$1,682,000 supérieur à celui de la fin de 1969 et, avec la réduction prévue des dépenses en immobilisations, il devrait encore augmenter au cours des prochains six mois.

le président du conseil
T. R. McLagan

le président
J. W. McGiffin

Consolidated Statement of Earnings (Unaudited)

THOUSANDS—
SIX MONTHS ENDED JUNE 30
1970 1969

Gross Revenue from Operations	\$54,817	\$62,055
Earnings from Operations	9,059	10,529
Income from Investments	359	594
	9,418	11,123
Interest on Long Term Debt	524	557
Provision for Depreciation	5,046	4,661
	5,570	5,218
Net Earnings before Income Taxes	3,848	5,905
Income Taxes:		
Current	391	2,398
Deferred	1,013	667
	1,404	3,065
Net Earnings for Period	2,444	2,840
Preference Dividend	287	287
Earnings Applicable to Common Shares	\$ 2,157	\$ 2,553
Earnings per Common Share	72¢	85¢
Common Shares Outstanding at June 30	2,998	2,997
Net Gain on Capital Asset Transactions not included above	\$ 258	\$ 1,328

Consolidated Statement of Source and Application of Funds (Unaudited)

Source of Funds:		
Net Earnings for Period	\$ 2,444	\$ 2,840
Expenses not Requiring a Current Cash Outlay:		
Depreciation	5,046	4,661
Deferred Income Taxes	1,013	667
Cash Flow from Operations	8,503	8,168
Common Shares issued for Cash	—	40
Special Refundable Taxes	174	226
Other	25	203
	8,702	8,637
Application of Funds:		
Net Additions to Fixed Assets	4,132	5,551
Net Increase (Decrease) in Investments	(412)	3,356
Net (Increase) Decrease in Long-Term Debt	(185)	1,757
Cash Paid in Acquisition of Subsidiaries	800	3,820
Dividends	2,685	2,364
	7,020	16,848
Working Capital Increase (Decrease)	\$ 1,682	\$ (8,211)

Etat consolidé des bénéfices (non vérifié)

— EN MILLIERS —
SIX MOIS TERMINÉS LE 30 JUIN
1970 1969

Revenus bruts d'exploitation	\$54,817	\$62,055
Bénéfices d'exploitation	9,059	10,529
Revenus de placements	359	594
	9,418	11,123
Intérêt sur dette à long terme	524	557
Provision pour amortissement	5,046	4,661
	5,570	5,218
Bénéfices nets avant impôts sur le revenu	3,848	5,905
Impôts sur le revenu:		
Courants	391	2,398
Reportés	1,013	667
	1,404	3,065
Bénéfices nets de la période	2,444	2,840
Dividende sur actions privilégiées	287	287
Bénéfices applicables aux actions ordinaires	\$ 2,157	\$ 2,553
Bénéfices par action ordinaire	72¢	85¢
Actions ordinaires en circulation au 30 juin	2,998	2,997
Gains nets sur transactions d'immobilisations non inclus ci-haut	\$ 258	\$ 1,328

Etat consolidé de provenance et d'utilisation des fonds (non vérifié)

Provenance des Fonds:		
Bénéfices nets de la période	\$ 2,444	\$ 2,840
Dépenses ne nécessitant pas de déboursé immédiat:		
Amortissement	5,046	4,661
Impôts sur le revenu reportés	1,013	667
Accroissement de trésorerie résultant de l'exploitation	8,503	8,168
Actions ordinaires émises au comptant	—	40
Impôt spécial remboursable	174	226
Autres	25	203
	8,702	8,637
Utilisation des Fonds:		
Achat d'immobilisations (montant net)	4,132	5,551
Augmentation (diminution) nette des placements	(412)	3,356
(Augmentation) diminution nette de dettes à long terme	(185)	1,757
Versement comptant à l'acquisition de filiales	800	3,820
Dividendes	2,685	2,364
	7,020	16,848
Augmentation (diminution) du fonds de roulement	\$ 1,682	\$ (8,211)

AR80

Canada
Steamship
Lines,
Limited

Interim Report June 30, 1970
Rapport Intérimaire au 30 Juin 1970

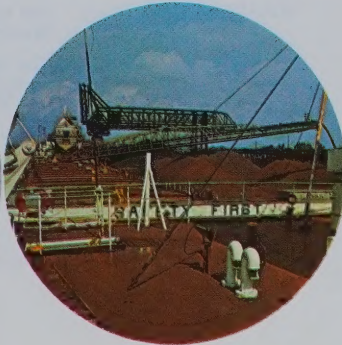
fu
Canada
Steamship
Lines,
Limited

Interim Report June 30, 1970
Rapport Intérimaire au 30 Juin 1970

Contents

Directors and Executive Officers	2
Financial Highlights	4
Report to the Shareholders	5
Statement of Earnings and Retained Earnings	7
Balance Sheet	8
Notes to Financial Statements	10
Auditors' Report	11
Statement of Source and Application of Funds	12
Ten Year Review	13
CSL '70: A Summary of Company and Subsidiary Operations	14

Canada Steamship Lines, Limited Annual Report 1970



Executive Officers

J. W. McGIFFIN	<i>Chairman of the Board and Chief Executive Officer</i>
LOUIS R. DESMARAIS	<i>President</i>
W. G. BLACK	<i>Vice-President, Finance, and Secretary</i>
G. L. COLE	<i>Vice-President, Water Transportation</i>
W. J. HINES	<i>Vice-President, Land Transportation</i>
R. LOWERY	<i>Vice-President, Shipbuilding Operations</i>
J. D. HARPER	<i>Comptroller</i>
D. P. GRINTON	<i>Treasurer</i>

Honorary Directors

HON. T. A. CRERAR, P.C. <i>Retired Senator</i>	Victoria, British Columbia
A. O. DUFRESNE	Quebec City, Quebec
G. McMILLAN, Q.C. <i>Partner, McMillan, Binch, Barristers and Solicitors</i>	Toronto, Ontario
R. W. MILNER	Winnipeg, Manitoba

HEAD OFFICE:	759 Victoria Square, Montreal 126, Quebec.
TRANSFER AGENT:	The Royal Trust Company, Montreal, Toronto, Winnipeg and Vancouver.
REGISTRAR:	Canada Permanent Trust Company, Montreal, Toronto, Winnipeg and Vancouver.

Pour un exemplaire de ce rapport en français, s.v.p., écrire au Secrétaire.

Directors

D. W. AMBRIDGE, C.B.E.
Toronto, Ontario.
Formerly Honorary Chairman of the
Board, Abitibi Paper Company Ltd.

DONALD S. ANDERSON
Toronto, Ontario.
Senior Vice-President,
The Royal Bank of Canada

J. B. BARBER
Sault Ste. Marie, Ontario.
Vice-Chairman & Senior Vice-President,
The Algoma Steel Corporation, Limited

BRUNO DESJARDINS
Montreal, Quebec.
Partner,
Simard & Desjardins,
Advocates

LOUIS R. DESMARAIS
Montreal, Quebec.
President,
Canada Steamship Lines, Limited

PAUL G. DESMARAIS
Montreal, Quebec.
Chairman & Chief Executive
Officer, Power Corporation of
Canada, Limited

C. ANTOINE GEOFFRION, Q.C.
Montreal, Quebec.
Partner, Geoffrion &
Prud'homme, Advocates

HAZEN HANSARD, Q.C.
Montreal, Quebec.
Partner, Ogilvy, Cope, Porteous,
Hansard, Marier, Montgomery &
Renault, Barristers and Solicitors

DAVID S. HOLBROOK
Sault Ste. Marie, Ontario.
Chairman & President,
The Algoma Steel Corporation,
Limited

H. IRGENS LARSEN
New York City, New York.
President,
Gotaas-Larsen, Inc.

PAUL E. MARTIN
Montreal, Quebec.
Vice-President,
Power Corporation of Canada,
Limited

P. M. McENTYRE
Montreal, Quebec.
President,
Commercial Trust Company Limited

J. W. McGIFFIN
Montreal, Quebec.
Chairman & Chief Executive Officer,
Canada Steamship Lines, Limited

T. R. McLAGAN, O.B.E.
Montreal, Quebec.
Chairman of the Executive Committee,
Canada Steamship Lines, Limited

PETER N. THOMSON
Montreal, Quebec.
Deputy Chairman, Power Corporation
of Canada, Limited

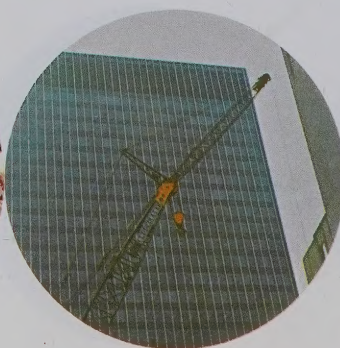
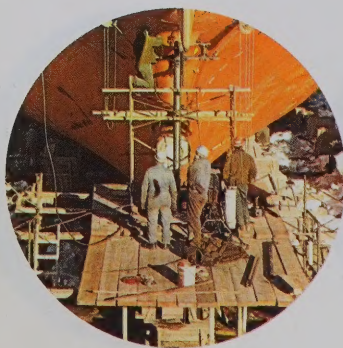
W. I. M. TURNER, JR.
Montreal, Quebec.
President,
Consolidated-Bathurst Limited

Canada Steamship Lines, Limited and subsidiary companies



Financial Highlights

	1970	1969
Gross revenue from operations	\$144,076,770	166,921,293
Net earnings	\$ 8,657,656	8,061,900
Net gain on capital asset transactions	\$ 118,656	3,172,822
Cash flow	\$ 23,276,768	20,363,199
Per common share		
Net earnings	\$ 2.70	2.50
Net gain on capital asset transactions	\$.04	1.06
Cash flow	\$ 7.57	6.60
Dividends	\$ 1.30	1.30
Capital expenditure - net		
Vessels	\$ -	12,773,438
Other	\$ 5,958,020	902,608
	\$ 5,958,020	13,676,046
Depreciation	\$ 11,481,362	10,931,308
Working capital	\$ 26,236,136	13,416,270
Common shareholders' equity per share	\$ 29.72	28.54
Average number of employees	6,884	7,220
Number of shareholders	3,813	3,956
Number of common shares outstanding	2,997,700	2,997,700



Report to the Shareholders

EARNINGS

Net earnings for 1970 were \$8,657,656, up \$595,756 (7%) from the \$8,061,900 earned in 1969. After preference dividends of \$573,125, net earnings per common share increased 8% to \$2.70 compared with \$2.50 in 1969.

Net gain on capital asset transactions, which is not included in net earnings, amounted to \$118,656 (4¢ per common share) compared to \$3,172,822 in 1969 (\$1.06 per common share).

Gross revenue from operations was \$144,076,770, down \$22,844,523. As indicated by the graph facing page 12, both water and land transportation revenues increased, but as forecast in our 1969 report, shipyard sales were significantly decreased by reason of fewer deliveries.

WATER TRANSPORTATION

The CSL bulk fleet was fully occupied from the opening of navigation to late December and total tonnage moved was a record. Grain carriage was up 46% and ore and coal tonnage increased 30%. The high volume combined with stronger grain rates to produce an improvement in net earnings despite increases in insurance and fuel costs.

Package Freight volume was substantially maintained and, with a reorganization of handling operations, results were improved over 1969.

SHIPBUILDING

Sales were down 52%, reflecting deliveries of only two new vessels at Davie Shipbuilding and two vessels at the Collingwood yard of Canadian Shipbuilding & Engineering.

As in 1969, aggregate volume of shipbuilding activity was less than capacity. A substantial amount of work was carried out on the two Naval destroyer escorts being built at Davie Shipbuilding, one of which was launched in November. In addition, two ferries are being constructed at this yard for the Quebec Government for delivery in mid-1971.

In November, 1970, the world competitive position of the Canadian shipbuilding industry was materially improved when the Federal Government introduced a program of shipbuilding grants, together with financing terms comparable to those offered by other shipbuilding nations. Davie Shipbuilding is at the point of signing a \$60,000,000 contract covering the construction of three 80,000-ton tankers for the N.J. Vardinoyannis group of Piraeus, Greece. These vessels, which are to be delivered in 1972 and 1973, will be the largest ever built in Canada, the previous record having been two 42,000 ton tankers constructed by Davie in 1959 and 1960.

Since year-end, the Collingwood yard has secured orders for the construction of two self-unloading bulk carriers which will be delivered in 1972.

With the signing of the export contract, the order backlog for Davie and Collingwood will be in excess of \$100,000,000 and will require several years of high activity to complete.

LAND TRANSPORTATION

Provincial Transport Enterprises Ltd. had a successful year with increases in passenger and express volume, while costs were well controlled.

The Kingsway group maintained volume but profits were down due to increased costs and severe rate competition in Ontario.

The Brocklesby mobile crane and heavy hauling business continued to experience difficulties due to unsettled conditions in the construction industry and competitively lower rates.

FINANCIAL

Working capital at a record \$26,236,136 increased by \$12,819,866 reflecting the higher cash flow and a reduction in capital expenditure of \$7,718,026.

Cash and short term securities amounted to \$22,540,328, an increase of \$16,395,310 as, in addition to the lower level of capital additions, there was an improvement in the non-cash working capital position.



Cash flow totalled \$23,276,768 (\$7.57 per common share) compared to \$20,363,199 (\$6.60 per common share) in 1969.

Common shareholders' equity per share at December 31st, 1970, amounted to \$29.72, up \$1.18 from the comparable 1969 figure. \$754,604 was written off to retained earnings relative to the excess of the cost of shares in subsidiaries acquired over the underlying net assets at dates of acquisition.

CAPITAL EXPENDITURE

	1970	1969
Net additions		
Vessels	—	\$12,773,438
Properties and equipment	\$5,958,020	902,608
	<u>\$5,958,020</u>	<u>\$13,676,046</u>

Fixed asset additions included a new tug for Davie Shipbuilding and substantial additions and replacements to both shipyard and land transportation equipment.

The directors have approved the construction of a new self-unloading bulk carrier to be built at the Collingwood shipyard for delivery in April, 1972.

LABOUR RELATIONS

The contract with the Seafarers International Union of Canada (S.I.U.), covering unlicensed personnel, expired September 21, 1970, and a new contract was negotiated in early 1971 for a three-year term. Contracts have still to be concluded with the Canadian Marine Officers Union (Engineers) and the Canadian Merchant Service Guild (Mates).

Agreements with the bus employees of Provincial Transport Enterprises Ltd. are currently under negotiation.

Kingsway's Ontario and Quebec labour contracts with the Teamsters Union expire September 30, 1971.

EMPLOYEES

Your directors regret to report the death of William Dunkerley, Vice-President, Labour Relations, who

had been associated with the Company in senior positions of responsibility for 19 years.

On November 3, 1970, J. W. McGiffin was elected Chairman of the Board and Chief Executive Officer, and Louis R. Desmarais was elected President. Messrs. Desmarais and Paul E. Martin were elected directors of the Company.

The directors would like to pay tribute to T. R. McLagan, who resigned as Chairman of the Board of the Company after 20 years of service as President or Chairman. During Mr. McLagan's tenure of office, assets and earnings more than quadrupled and the present success of the Company is closely related to the dedicated effort which he applied to the pursuit of its varied affairs. Mr. McLagan continues as a Director and is currently Chairman of the Executive Committee.

1970 was a particularly demanding year for the officers and employees of the Company and your directors are happy to acknowledge the fine efforts of our personnel, both ashore and afloat, in successfully meeting the many challenges which confronted them.

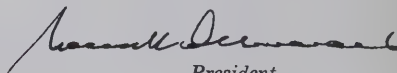
OUTLOOK

Labour problems of internal or external origin are always a potential hazard in our business. However, barring unforeseen difficulties, current prospects are for a successful 1971 with a high level of activity forecast for all divisions. The rebuilding of working capital and cash resources which was accomplished in 1970 should permit us to take advantage of sound opportunities when these present themselves.

On behalf of the Board,



Chairman



President

Montreal, March 9, 1971





Consolidated Statement of Earnings and Retained Earnings

Year ended December 31, 1970, with comparative figures for 1969

	1970	1969
Gross revenue from operations – Note 4	\$144,076,770	\$166,921,293
Earnings from operations	27,434,425	25,521,857
Income from investments	1,106,243	1,058,575
	28,540,668	26,580,432
Interest and expense on long-term debt	1,078,694	1,082,945
Provision for depreciation – Note 4	11,481,362	10,931,308
	12,560,056	12,014,253
Net earnings before income taxes	15,980,612	14,566,179
Income taxes:		
Current	4,063,633	4,627,815
Deferred	3,259,323	1,876,464
	7,322,956	6,504,279
Net earnings	8,657,656	8,061,900
Retained earnings at beginning of year	66,039,202	70,853,687
	74,696,858	78,915,587
Dividends:		
Preference shares	573,125	573,125
Common shares	3,897,010	3,576,290
	4,470,135	4,149,415
	70,226,723	74,766,172
Net gain on capital asset transactions	118,656	3,172,822
	70,345,379	77,938,994
Cost of shares of subsidiaries in excess of equity in net assets at dates of acquisition	754,604	11,899,792
Retained earnings at end of year	\$ 69,590,775	\$ 66,039,202
Per common share:		
Net earnings	\$ 2.70	\$ 2.50
Net gain on capital asset transactions04	1.06

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

December 31, 1970, with comparative figures for 1969

Assets	1970	1969
CURRENT ASSETS:		
Cash	\$ 869,861	\$ 1,503,493
Short-term securities at cost, which approximates market value	19,196,202	2,272,560
Government of Canada bonds at cost – <i>Note 2</i> (market value \$2,587,139)	2,474,265	2,368,965
Accounts receivable, less allowance for doubtful accounts	16,992,470	14,008,326
Insurance and other claims, estimated amount recoverable	1,173,658	1,328,604
Inventories of stores and supplies at the lower of cost or replacement cost and shipyard work in progress at cost	23,861,782	15,312,826
Prepaid expenses	640,189	872,058
	<hr/> 65,208,427	<hr/> 37,666,832
Deduct progress payments and billings on uncompleted shipyard work	19,650,875	7,799,006
Total current assets	<hr/> 45,557,552	<hr/> 29,867,826
SPECIAL REFUNDABLE TAX	–	207,423
INVESTMENTS AT NOT EXCEEDING COST:		
Unconsolidated subsidiary	84,811	79,811
Marketable (market value \$620,273)	588,819	588,819
Mortgages, secured loans and other	4,126,663	5,352,719
Debentures – <i>Note 3</i>	6,997,077	7,540,496
	<hr/> 11,797,370	<hr/> 13,561,845
FIXED ASSETS – <i>Note 4</i>	228,458,875	226,269,417
Less accumulated depreciation	120,264,672	113,835,268
	<hr/> 108,194,203	<hr/> 112,434,149
 <i>On behalf of the Board:</i> J. W. McGIFFIN, <i>Director</i> LOUIS R. DESMARAIS, <i>Director</i>	 <hr/> \$165,549,125	 <hr/> \$156,071,243

See accompanying Notes to Consolidated Financial Statements.



Liabilities and Shareholders' Equity	1970	1969
CURRENT LIABILITIES:		
Accounts payable and accrued charges	\$ 15,384,584	\$ 13,945,123
Income taxes payable	1,852,297	811,185
Current portion of long-term debt	2,084,535	1,695,248
Total current liabilities	<u>19,321,416</u>	<u>16,451,556</u>
 LONG-TERM DEBT, LESS CURRENT PORTION – <i>Note 5</i>	 13,121,760	 13,401,158
 DEFERRED INCOME TAXES	 30,021,522	 26,909,453
 PROVISIONS:		
Insurance losses, repairs and claims	997,742	993,964
Extra compensation	950,000	730,000
	<u>1,947,742</u>	<u>1,723,964</u>
 SHAREHOLDERS' EQUITY:		
CAPITAL STOCK – <i>Note 6:</i>		
Authorized –		
1,834,000 5% cumulative redeemable preference shares of \$6.25 each		
4,000,000 common shares of no par value		
Issued and fully paid –		
1,834,000 preference shares	11,462,500	11,462,500
2,997,700 common shares	20,083,410	20,083,410
	<u>31,545,910</u>	<u>31,545,910</u>
 RETAINED EARNINGS	 69,590,775	 66,039,202
Total shareholders' equity	<u>101,136,685</u>	<u>97,585,112</u>
 COMMITMENTS – <i>Note 7</i>		
	<u>\$165,549,125</u>	<u>\$156,071,243</u>

Notes to Consolidated Financial Statements December 31, 1970

1. Principles of consolidation:

The consolidated financial statements include the accounts of Canada Steamship Lines, Limited and all its subsidiaries with the exception of one company owned to the extent of 69%, whose assets, liabilities and earnings are not significant to the consolidation. All other subsidiaries are wholly owned.

2. Government of Canada Bonds:

\$1,112,000 par value of Government of Canada bonds are pledged as security for performance of contracts by the company and certain of its subsidiaries.

3. Debentures:

In 1967 Provincial Transport Enterprises Ltd. sold franchises, motor coaches and equipment for \$8,677,562. The balance of the sales price at December 31, 1970 of \$6,997,077 does not bear interest and is payable in monthly instalments to 1982 in amounts related to the cash flow generated by the acquiring companies.

4. Fixed assets and gross revenue:

Major classifications by industry of fixed assets and gross revenue are as follows:

	Thousands of Dollars			
	Assets	Accumulated Depreciation	Net	Gross Revenue
Water				
transportation	138,975	66,364	72,611	47,644
Shipyards . . .	24,360	15,330	9,030	30,768
Land				
transportation	56,315	32,017	24,298	61,046
Other	8,809	6,554	2,255	4,619
	<u>228,459</u>	<u>120,265</u>	<u>108,194</u>	<u>144,077</u>

Fixed assets are stated at cost with the exception of certain properties held by Provincial Transport Enterprises Ltd. carried at \$4,763,118 on the basis of a 1960 appraisal plus subsequent additions at cost.

With the exception of vessels, the majority of the companies' assets are depreciated at the maximum rates permitted for income tax purposes. Vessels are depreciated on a straight-line basis on estimated useful lives of from 20 to 25 years.

5. Long-term debt:

Provincial Transport Enterprises Ltd.

6½ % sinking fund debentures maturing December 15, 1979	\$ 3,800,000
7% equipment trust certificates, series "C" maturing March 1, 1971 to 1977	1,890,000
7¼ % equipment trust certificates, series "D" maturing April 1, 1971 to 1978	1,680,000
10% equipment trust certificates, series "E" maturing April 1, 1971 to 1980	1,500,000
	<u>8,870,000</u>

Voyageur (1969) Inc.

6½ % serial debentures maturing April 1971	\$ 90,000
7% sinking fund debentures maturing April 1, 1976	1,330,000
6¼ % equipment trust certificates, series "A" maturing April 1, 1971 to 1973	990,000
6½ % equipment trust certificates, series "B" maturing April 1971 to 1974	1,080,000
7% first mortgage sinking fund bonds maturing November 15, 1975	2,042,000
10% secured note - payable April 1, 1971	267,637
	<u>5,799,637</u>

Carier & Frère Limitée

6% sinking fund debentures maturing January 15, 1971	122,500
--	---------

Port Colborne Quarries Limited - 5% note - secured

414,158
15,206,295

Deduct instalments due within one year

2,084,535
\$13,121,760

The 5% note is payable by instalments related to the profits of Port Colborne Quarries Limited.



6. Capital stock:

As at December 31, 1970, options granted on common shares under Restricted Stock Option Plans were outstanding as follows:

<i>Expiry Date</i>	<i>Director Officers</i>	<i>Officers</i>	<i>Employees</i>	<i>Price</i>
August 1974 . .	3,000	4,000		\$23.20
August 1974 . .		3,500	6,800	26.10
December 1980	15,000	8,000	2,000	25.20

7. Commitments:

The companies are committed to purchase fixed assets of \$16,000,000, of which \$12,000,000 will be spent in 1971.

The companies lease certain of their terminals under

long-term lease agreements. Minimum annual rentals under these leases for the periods shown below are as follows:

1971-1974	\$823,000
1975-1984	598,000
1985-1988	340,000

8. Statutory information:

Total remuneration received by directors and officers:

<i>Directors</i>		<i>Officers</i>	
<i>No.</i>	<i>Amount</i>	<i>No.</i>	<i>Amount</i>
Canada Steamship Lines, Limited	23 \$56,650	9	\$463,221
Provincial Transport Enterprises Ltd. . . .		1	10,000

Three officers of the company are also directors.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Canada Steamship Lines, Limited and its subsidiary companies as at December 31, 1970 and the consolidated statement of earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, except that the gain on capital asset transactions has been credited to retained earnings rather than to earnings, these consolidated financial statements present fairly the financial position of the companies at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & Co.,
Chartered Accountants.

Montreal, Que., March 9, 1971

Consolidated Statement of Source and Application of Funds

Year ended December 31, 1970, with comparative figures for 1969

	1970	1969
SOURCE OF FUNDS:		
From operations:		
Net earnings	\$ 8,657,656	\$ 8,061,900
Depreciation	11,481,362	10,931,308
Deferred income taxes	3,259,323	1,876,464
Other	(121,573)	(506,473)
	<u>23,276,768</u>	<u>20,363,199</u>
Common shares issued for cash	-	49,300
Special refundable taxes	207,423	495,772
Proceeds on disposal of fixed assets	1,425,280	5,445,129
Issue of long-term debt	1,500,000	-
Decrease in debentures	543,419	696,769
Net decrease (increase) in mortgages and secured loans	1,226,056	(2,734,167)
	<u>28,178,946</u>	<u>24,316,002</u>
APPLICATION OF FUNDS:		
Additions to fixed assets	7,383,300	19,121,175
Repayment of long-term debt	1,779,398	2,211,636
Cash paid in acquisition of subsidiaries	1,726,247	3,820,000
Dividends	4,470,135	4,149,415
	<u>15,359,080</u>	<u>29,302,226</u>
WORKING CAPITAL INCREASE (DECREASE)	<u>\$ 12,819,866</u>	<u>\$ (4,986,224)</u>
Working capital at beginning of year	\$ 13,416,270	\$ 21,221,273
Provincial Transport Enterprises Ltd. - working capital deficit at date of acquisition	-	2,818,779
	<u>13,416,270</u>	<u>18,402,494</u>
Working capital at end of year	26,236,136	13,416,270
WORKING CAPITAL INCREASE (DECREASE)	<u>\$ 12,819,866</u>	<u>\$ (4,986,224)</u>

See accompanying Notes to Consolidated Financial Statements.

Ten Year Review

1961 to 1970

Earnings and Dividends <i>(thousands)</i>	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
Gross revenue	\$144,077	\$166,921	\$129,308	\$138,082	\$126,560	\$138,164	\$103,696	\$131,927	\$ 81,722	\$ 88,766
Depreciation	11,481	10,931	8,766	8,796	7,964	6,970	5,609	6,018	5,756	6,015
Income taxes — Current	4,064	4,628	4,447	3,845	2,610	4,140	3,224	3,164	1,720	2,003
— Deferred	3,259	1,876	2,584	1,317	3,924	3,644	2,719	2,132	1,952	1,924
Net earnings	8,658	8,062	7,357	6,608	8,343	9,028	7,349	7,047	5,121	5,361
Net gain on capital asset transactions . .	119	3,173	1,159	835	129	1,295	880	255	181	84
Dividends — Preference shares	573	573	573	573	573	573	573	573	573	573
— Common shares	3,897	3,576	3,371	3,357	3,344	3,077	2,553	2,280	2,268	2,001
Dividends as % of net earnings	52%	51%	54%	59%	47%	40%	43%	41%	55%	48%
Financial Position <i>(thousands)</i>										
Working capital	\$ 26,236	\$ 13,416	\$ 21,221	\$ 15,011	\$ 15,405	\$ 15,747	\$ 18,234	\$ 16,928	\$ 18,932	\$ 17,785
Fixed assets — Gross	228,459	226,269	189,101	189,265	182,074	171,297	153,147	143,126	141,468	134,469
— Net	108,194	112,434	90,044	87,831	83,870	75,600	63,686	53,416	52,500	49,507
Long-term debt	13,122	13,401	556	604	699	781	706	637	1,452	1,666
Shareholders' equity — Preference (1) . .	12,036	12,036	12,036	12,036	12,036	12,036	12,036	12,036	12,036	12,036
— Common	89,101	85,549	76,391	71,766	67,889	63,230	56,752	51,379	46,745	44,106
Per Common Share										
Net earnings	\$ 2.70	\$ 2.50	\$ 2.61	\$ 2.33	\$ 3.02	\$ 3.29	\$ 2.65	\$ 2.55	\$ 1.80	\$ 1.91
Net gain on capital asset transactions . .	.04	1.06	.45	.32	.05	.50	.34	.10	.07	.03
Dividends	1.30	1.30	1.30	1.30	1.30	1.20	1.00	.90	.90	.80
Cash flow (2)	7.57	6.60	7.04	6.28	7.63	7.42	5.90	5.76	4.85	4.99
Shareholders' equity	29.72	28.54	29.43	27.67	26.36	24.61	22.16	20.23	18.52	17.58
Working Capital Ratio	2.4	1.8	2.3	2.0	2.3	2.1	2.8	2.4	3.2	3.5
Capital Expenditure — net <i>(thousands)</i>	\$ 5,958	\$ 13,676	\$ 10,172	\$ 11,922	\$ 16,105	\$ 17,589	\$ 15,015	\$ 9,603	\$ 8,569	\$ 10,001

(1) Calculated using redemption price of \$6 $\frac{1}{4}$ per preference share.

(2) Net earnings after preference dividends plus expenses not requiring a cash outlay.

CSL '70

Following extensive modernization and expansion in the past decade, CSL looks to the 70's with considerable optimism. Increasing requirements of the Canadian economy, in which our principal customers play an important role, indicate that future enlargement of the fleet and of our shipbuilding and land transportation facilities will be necessary.

In 1970 the bulk fleet carried a record total of over 23 million tons of grain, ore, coal and stone, and navigation continued after the normal December 15 close, in order to meet customer requirements.

CSL's eight package freighters had an active year, highlighted by the delivery of cargo by helicopter from the CSL package freighter, *Fort St. Louis*, to five settlements in the Canadian Arctic. "Operation Sky lift" was an impressive demonstration of the effectiveness of new air-sea systems of re-supply.

During 1970, Davie Shipbuilding delivered a supply and buoy vessel to the Canadian Government and a powerful new tug to the Davieship towing fleet. The first of two helicopter-carrying destroyer escorts was launched in November and two ferries for the Quebec Government are under construction for delivery in 1971.

The Collingwood yard of Canadian Shipbuilding & Engineering delivered a self-unloader and an oil fuelling barge. Port Arthur shipyard had a busy general engineering year, but lower ship repair work.

Provincial Transport Enterprises consolidated Montreal terminal operations into one large facility (see page 19). Provincial also purchased Carrier & Frère Limitée, operating from Montreal into the Roberval, P.Q. area.

Kingsway Transports expanded its Quebec operations by acquiring Laurentide Transport Inc. of St. Jerome.

The Brocklesby subsidiary purchased Sicotte Transport Limited. The combined businesses were affected by labour disruptions in the construction trades and the continuing problem of over-capacity (caused, in part, by the excessively liberal credit terms of equipment suppliers) which led to severe rate-cutting and the failure of several competitors.

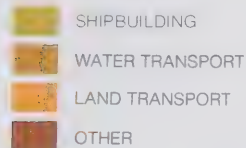
The operation of Port Colborne Quarries Limited was less active than usual, with lower export volume resulting from construction strikes in the Cleveland area and reduced sale prices caused by the U.S. dollar revaluation.



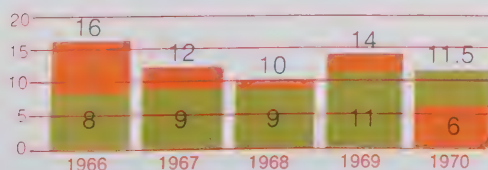
1. Two package freighters, the *Fort William* and the *French River*, alongside our terminal at Hamilton, Ont.
2. CSL's package freighter, the *Fort St. Louis*, delivering cargo in the Canadian Arctic during "Operation Sky lift".
3. One of Brocklesby's mobile cranes in action.

4. The *Simcoe*, a maximum-size bulk carrier.
5. A familiar sight at PCQ's quarry.
6. Davieship's tug fleet, and the new *Takis V*.
7. A blue-and-green striped *Voyageur* bus.
8. One of Kingsway's tractor-trailers.
9. Launching the *Agawa Canyon* before delivery to Algoma Central Railway Co., Ltd.

Sales by Activity Groups in millions



Net Cash Expenditures on Fixed Assets
Book Depreciation
in millions

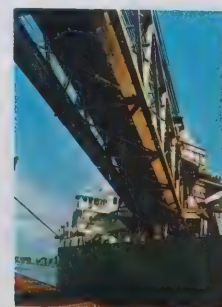




In 1924, a canal-size self-unloader was built in Britain for Canada Steamship Lines. She was christened *Collier No. 1* and was used for transporting coal on the Great Lakes, principally to docks with no receiving facilities. One of the first Canadian vessels of her kind, she has a place in history, but her restricted length (roughly 250 feet), capacity (2,600 tons) and unloading arrangement classify her as an antique next to the sophisticated self-unloaders of today's CSL fleet with ten times the capacity and twenty times the unloading speed.

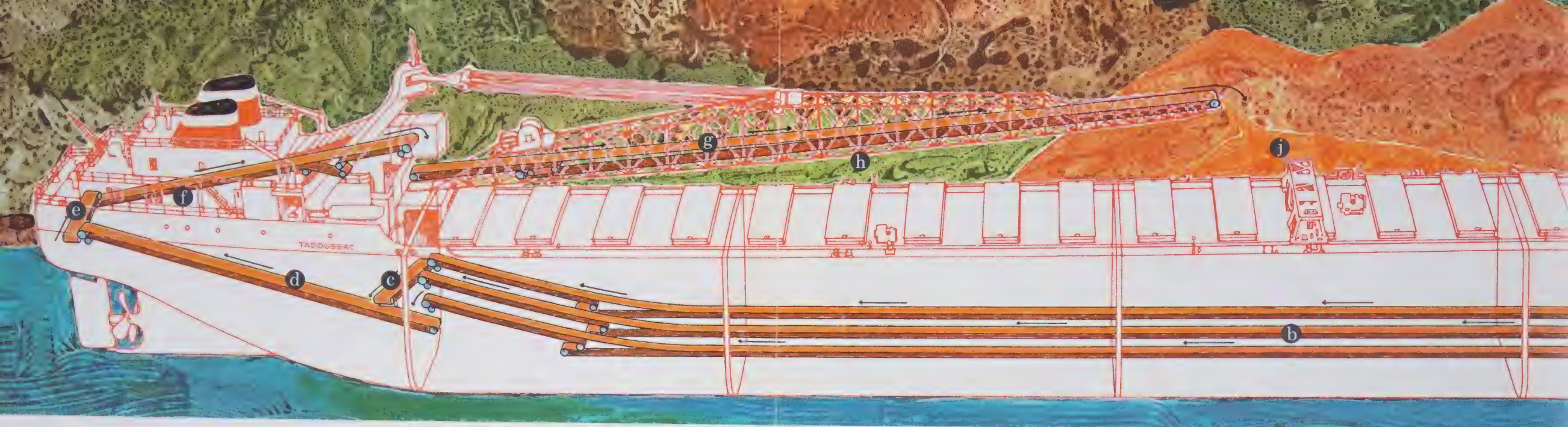
Today, our eight giant self-unloaders carry coal, ore and stone throughout the Great Lakes System. Four are maximum Seaway length of 730 feet with deadweight capacities of from 25,000 to 28,000 short tons and can be unloaded in approximately six hours.

self unloaders



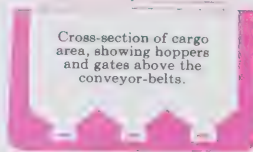
Built in CSL shipyards, these self-unloading bulk carriers have either been converted from former lakers or constructed completely from original designs. They have many advantages. To the receiver, a costly, land-based unloading operation is eliminated and replaced by a fast and flexible water-borne alternative. To the carrier, there is a saving in unloading time, but a reduction in carrying capacity (because of the additional weight of the unloading system) and, of course, higher costs with regard to the wages of the crew, maintenance, and capital charges. In most unloading operations, it takes a straight bulk carrier about twelve more hours to discharge her cargo than the time taken by a self-unloader. As a result, customers can receive greater annual tonnages over their docks by using self-unloaders than by using conventional bulk vessels.

Improvements in design are constantly being made towards greater efficiency and speed, greater cargo capacity, and lower operating costs, and CSL self-unloaders will undoubtedly be seen in larger numbers in the future.



Four main stages do the job.

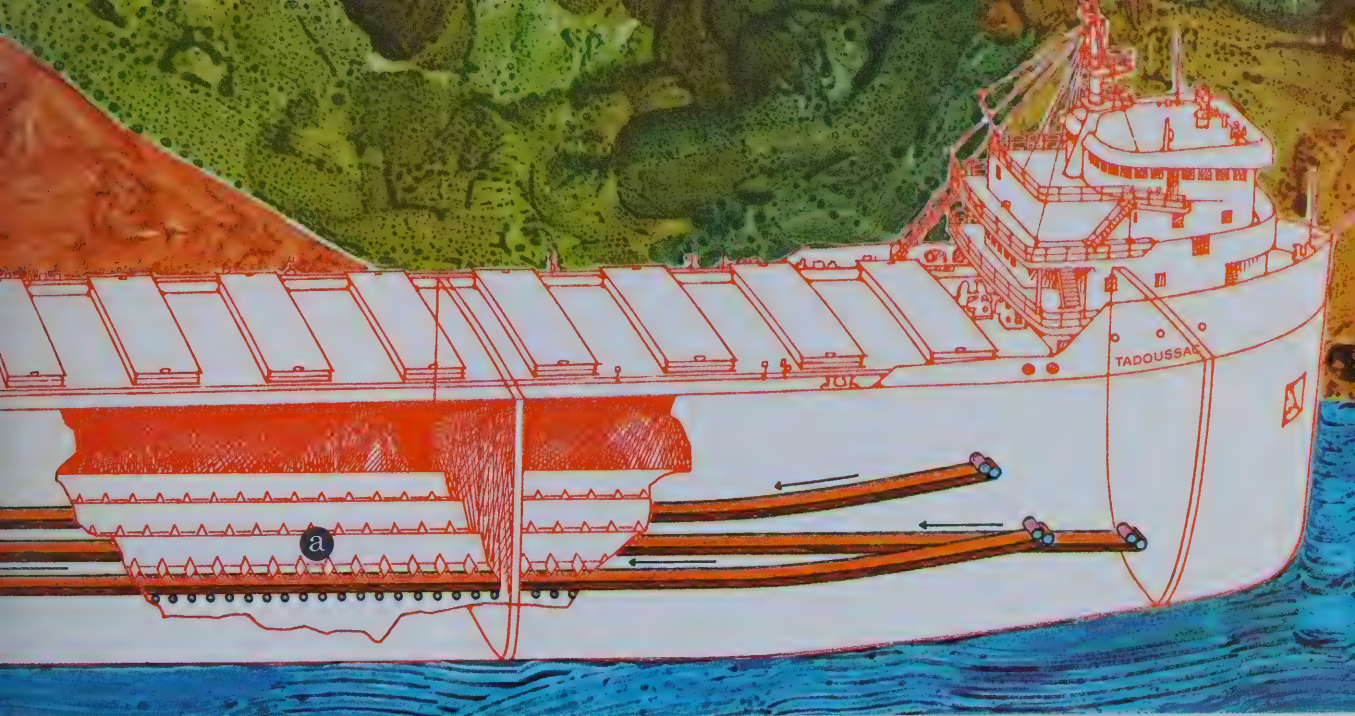
- 1 The cargo falls by gravity through the gates (a) on to the conveyor belts (b) running from bow to stern.
- 2 The transverse conveyor belt (c) receives the load and deposits it on to the elevating conveyor belt (d).
- 3 The stern transfer belt (e) directs the load on to the forwarding belt (f) which, in turn, transfers it to the 250 ft. boom.
- 4 The boom conveyor (g) carries the material along the boom (h) and places it on the dock in 90 foot piles (j) 220 feet from shipside.



As can be seen in the diagram, the *Tadoussac* has five holds in her cargo area. All our self-unloaders have at least four and as many as six holds. This arrangement enables the vessel to carry various kinds of material at the same time. The cargo can consist of different grades of ore, different grades of coal, or a combination of ore, coal and crushed stone, each of which can be selectively handled. The unloading point can be another vessel, in which case shore

facilities and the extra time factor are avoided. Off-loading rates of speed vary according to the type of cargo and types of grades. From the *Tadoussac*, ore can be unloaded at a rate of approximately 6,000 tons per hour, as can crushed stone. Coal can be unloaded at about 5,000 tons per hour. Again depending on the commodity, it takes from five to eight hours to unload the vessel, with the conveyor belts moving at 850 feet per minute.





The Tadoussac, CSL's largest and most efficient self-unloader, with a length of 730 feet and a capacity of 28,000 short tons.

The fastest method of unloading ore, coal and crushed stone.





A new terminal for Provincial Transport Enterprises

On June 22nd, 1970, provincial and industrial leaders presided at the official opening of the new Voyageur bus terminal in Montreal. It is the most modern in Canada and was built to increase passenger comfort in every aspect of bus transportation. The huge, L-shaped building covers an area of 27,000 square feet. Adjoining it are twenty-two bus ramps, enabling passengers to walk no more than a few steps to board their buses. The ramps are close to baggage checking, parcel shipping and ample locker facilities. Evident throughout the spacious main building, and in the stylish new uniforms of Voyageur hostesses, is the imaginative use of colour and design. Over a hundred benches, large picture windows, and air-conditioning are among the general amenities in a terminal that includes a licensed restaurant, cocktail lounge, travel bureau, news stand and gift shop. The terminal is joined to Montreal's Métro by an underground passage and is conveniently situated near shops and hotels.

In addition, a closed circuit television system gives dispatchers a panoramic view of exterior and interior traffic, and an internal communications network connects the dispatching office with key personnel. Also, a teletype system puts traffic controllers in touch with all important centres served by the Voyageur network.

Everything has been done by Voyageur (1969) Inc. and Voyageur Colonial to 'humanize' bus travel in an age of progressive technology. Three hundred Voyageur buses regularly serve three provinces—Quebec, New Brunswick and Ontario—and link up with all continental routes. Continental bus tours can be arranged through Voyageur's travel bureau and are helping to popularize long distance travel. With large "view" windows, comfort facilities and air-conditioning, every Voyageur bus should make travel in the '70's a pleasurable experience for an increasing number of people who would rather ride through the scenic countryside than cut across it or pass over it.



"By water and by land, CSL keeps moving. Full speed ahead."

